



City of Deltona

2345 Providence Blvd.

Deltona FL 32725

Firefighters' Pension Plan Board of Trustees Meeting Minutes

Board Chairman Kurt Vroman

Board Secretary Gene Gizzi

Trustee Janet Deyette

Trustee John Fleemin III

Trustee Douglas Watler

Tuesday, October 15, 2019

3:00 p.m.

2nd Floor Conference Room

A regular meeting of the Deltona Firefighters' Pension Plan Board of Trustees was held on Tuesday, October 15, 2019 at 3:30 p.m. at the City of Deltona 2nd Floor Conference Room located at 2345 Providence Blvd, Deltona, Florida 32725, pursuant to notice.

CALL TO ORDER: Chairman Vroman called the meeting to order at 3:42 p.m.

ROLL CALL:

PRESENT: Chairman Kurt Vroman, Secretary Gene Gizzi, Trustees Janet Deyette, John Fleemin III and Douglas Watler

ABSENT: None

ALSO PRESENT: Plan Attorney Pedro Herrera, Sugarman & Susskind, P.A.; David West, AndCo Consulting; Janet Day, City of Deltona; Lisa Spriggs, Plan Administrator; Mindy Johnson, Salem Trust Company; Steve Earnhardt and Lora Murphy, Lauterbach & Amen, LLP (L&A); City of Deltona Attorney Marsha Segal-George, Fowler O'Quinn Feeney & Sneed; Finance Manager Susan Helberg, City of Deltona

APPROVAL OF MINUTES & AGENDA: *August 5, 2019 Meeting:* The Board reviewed the minutes from the August 15, 2019 meeting. A motion was made by Secretary Gizzi and seconded by Trustee Deyette to approve the August 5, 2019 meeting minutes as written. Chairman Vroman asked if there was any discussion. With no discussion, motion carried unanimously by voice vote.

AYES: Chairman Vroman, Secretary Gizzi, Trustees Deyette, Fleemin and Watler

NAYS: None

ABSENT: None

PRESENTATIONS/AWARDS/REPORTS: *Consent/Approval of Expenditures:* The Board reviewed the City of Deltona Firefighters Pension Plan Invoice Log dated October 15, 2019 for total disbursements of \$29,457.21. Ms. Spriggs noted that there will be two additional invoices received for September services from Sugarman & Susskind, P.A. and ASB Real Estate Investments that will be included with the fiscal year end numbers. A motion was made by Secretary Gizzi and seconded by Trustee Fleemin to approve the expenditures reviewed on the invoice log dated October 15, 2019 in the amount \$29,457.21. Chairman Vroman asked if there was any discussion. With no discussion, motion carried unanimously by voice vote.

AYES: Chairman Vroman, Secretary Gizzi, Trustees Deyette, Fleemin and Watler

NAYS: None

ABSENT: None

The Board noted that the Invoice Log lists that Trustee Fleemin's reimbursement was for his attendance at the FPPTA Conference which is incorrect. It is for attendance at the Opal Conference, which is noted correctly in the supporting documents included in the October 15, 2019 Board meeting packet.

Other Submissions: Chairman Vroman noted that he recently attended the FPPTA Conference and will be submitting reimbursements in the amount of \$1,453.52 which includes the registration fee. The Board discussed that the current policy allows for attendance at the FPPTA and Division of Retirement Conferences. The Board will ratify payment of Chairman Vroman's reimbursements at the next regular meeting.

Investment Performance Review: Mr. West from AndCo Consulting presented the preliminary Investment Performance Review for the period ending September 30, 2019. As of September 30, 2019, the preliminary market value of the portfolio is \$33,868,507 and the return on investment, gross of fees is 1.01% for the quarter and 3.12% for the fiscal year. The benchmark for the fiscal year was 5.09%.

The portfolio composition is 51.6% in domestic equities, 13.2% in international equities, 21.9% in domestic fixed income, 8.8% in real estate, 1.6% in cash and equivalent. Current asset allocations within the equity and fixed income funds were reviewed, as well as individual fund performance.

Ms. Day left the meeting at 4:02 p.m.

Ms. Segal-George arrived at 4:05 p.m. and left the meeting at 4:15 p.m.

Mr. West reviewed the allocation performance of the portfolio and discussed that the Equity performance has not done well the past two quarters, noting that this past quarter return was 0.58% and a fiscal year end return of 0.69%, with the index funds specifically not doing well. Fixed Income had a quarter return of 2.07% and a fiscal year end return of 9.63% and the Real Estate had a quarter return of 1.31% and a fiscal year end return of 4.60% (however not all of the quarter's Real Estate performance has been received to date). All of the returns noted are gross of fees. Since inception, the Equity performance is at 8.43%, Fixed Income is at 3.50% and Real Estate is at 9.02%.

Mr. West discussed that the fiscal year end results were greatly affected by the performance of the quarter ending December 31, 2018, as the portfolio incurred a (10.3%) loss. The quarters following December 31, 2018 did well, but not enough to recover. The domestic equity allocation affected performance with no down-market protection and the S&P 500 Index Large Cap outperformed the S&P 500 Index Mid Cap, which took away returns from the Fund. Mr. West also noted that the Board's selection of Growth Managers may impact future performance. Mr. West recommended the Board discuss allocating a third of the Equity portfolio to a Growth Manager, a third to Index Funds and a third to a Value Manager which would diversify the Active Manager risk.

Mr. West spoke about ASB Allegiance Real Estate Fund. Quarterly performance has not been received however Mr. West was notified that the preliminary numbers are showing a negative return of (0.60%). AndCo. recommended to liquidate all assets in the ASB Allegiance Real Estate Fund and reallocate the proceeds between Intercontinental Property Index and TerraCap. Currently ASB Allegiance Real Estate Fund has a normal withdraw window, which is a 90-day notice of termination.

Chairman Vroman left the meeting at 4:25 p.m.

A motion was made by Trustee Watler and seconded by Trustee Fleemin to terminate the ASB Allegiance Real Estate Fund, based on the recommendation of AndCo. Investment Consultant Dave West, effective immediately, which requires a 90-day notice, therefore assets will be in the market until December 31, 2019. Secretary Gizzi asked if there was any discussion. With no discussion, motion carried by roll call vote.

AYES: Secretary Gizzi, Trustees Deyette, Fleemin and Watler

NAYS: None

ABSENT: Chairman Vroman

The Board discussed having AndCo. do a real estate search and Trustee Watler requested that AndCo. vet Aerial Capital. Trustee Watler will provide Mr. West the information regarding Aerial Capital. The Board expressed that it does not want the assets from the liquidation of the ASB Allegiance Real Estate Fund out

of the market for any extended period of time and requested that the vetting/search be done expeditiously. An update will be provided and further discussion will take place at the next regular meeting.

The Board noted that TerraCap Fund IV is a closed Fund and the Plan will most likely not be able to add any additional assets to it. The Board reviewed the capital call for TerraCap Fund IV, noting that the Pension Plan committed \$1,200,000, with a nominal interest of \$81,000 for a total of \$1,281,000, which is consistent with the engagement agreement. The assets are due 10 days post the letter dated October 18, 2019. Mr. West drafted a letter of direction to the Administrator and Salem Trust, who will be handling the wire and recommended the Board utilize the recent city contribution of \$1,253,000 which makes the Fund's current cash balance \$1,599,000. A motion was made by Trustee Watler and seconded Trustee Fleemin to utilize 100% of the recent city's contribution of \$1,253,000 to assist in funding the TerraCap Fund IV capital call. Secretary Gizzi asked if there was any discussion. With no discussion, motion carried by roll call vote.

AYES: Secretary Gizzi, Trustees Deyette, Fleemin and Watler

NAYS: None

ABSENT: Chairman Vroman

Mr. West confirmed that he will expedite the TerraCap Fund IV capital call transaction as discussed and approved.

Mr. West reported that following the August 5, 2019 meeting, AndCo. rebalanced the portfolio by liquidating 2% (\$600,000) from the Vanguard S&P Mid-Cap 400 Index Fund and reallocated the proceeds to the Europacific Growth Fund.

Chairman Vroman and Attorney Segal-George rejoined the meeting at 4:50 p.m.

The Board reviewed the peer group report provided by AndCo. Mr. West also presented and discussed with the Board an illustration of the rolling cumulative performance of Russell 1000 Growth and Value relative to the Russell 1000 index from 1981 to present and answered all questions.

PUBLIC FORUM: *Time permitted, public comment shall be permitted at the end of agenda items and shall not exceed two minutes:* There was no public comment.

OLD BUSINESS: *Discussion re: Cancer Bill Amendment:* Attorney Segal-George questioned if the City of Deltona will be affected by the recent Firefighter Cancer and PTSD Senate Bills regarding pre-employment and physicals with the recent new Senate Bills.

Attorney Herrera discussed the Firefighter Cancer Bill (Chapter 2019-21 effective July 1, 2019) and noted that on the pension side it creates an additional presumption for disability and death benefits, specifically line of duty or service-connected disability benefits and/or death benefits. He explained that it creates the presumption that if a firefighter is diagnosed with one of the 21 firefighter cancers, it would be presumed that it is a line of duty or service-connected causation. Statute does not indicate if the presumption is rebuttable. He noted that Pension Plans will administratively handle it similarly to the Heart and Lung Bill. Actuarially at this time it is uncertain of the impact it will have on Plans and will be building in a marginal cost until enough data is collected within the next couple of years to actually be able to quantify it. The biggest impact the Firefighter Cancer Bill will have on the Pension Plans monetarily is issuing a service-connected benefit, which is a higher benefit, vs a non-service-connected benefit. All questions were answered by Attorney Herrera.

Attorney Herrera also discussed Chapter 2018-124 effective October 1, 2018 regarding Post Traumatic Stress Disorder (PTSD), which does not impact the Pension Plans directly but rather the workers' compensation statutes, which now provides that PTSD is a compensable injury and the criteria of what qualifies as a traumatic event, who is eligible and what treatments are available. The Pension Plans will only be affected when a PTSD disability is applied for and determining whether it is service connected or non-service

connected. It would then need to be proven to the Pension Board that it is service connected. All questions were answered by Attorney Herrera.

Chairman Vroman commented that he will be corresponding with Foster & Foster regarding the possibility of providing cancer coverage through the Plan.

Discussion re: Requests and Procedures for future Board Meetings: The Board discussed procedures of members who have issues and/or inquiries. Attorney Herrera recommended that if a member has an issue it should be put in writing and presented to the Board. If the Board is unable to address it, the Board or Administrator can contact the Attorney for direction. The Attorney can then review it and respond to the Board or Administrator.

Attorney Herrera noted that he will provide an updated “Divorce Kit” to the Board that can be provided to the members who are going through a divorce. Attorney Herrera will also update the Plan’s Operating Rules and Procedures to include information regarding the divorce resource/kit for members, as well as revising information about Board Members attending conference.

Discussion and Possible Selection of a Growth Manager and/or Value Manager: Mr. West noted that his recommendation is that the Pension Plan maintain at least one-third of its’ assets in passive or index funds. The future decision is how much should be allocated to active managers.

Mr. West distributed the search book of Growth Managers and Fund Managers which included the performance updates of the finalists of Growth Managers and Value Managers through June 2019 and also quarter ending September 2019. The Board reviewed the rolling correlations to the index for the two growth candidates (Alger and T. Rowe) and the rolling correlations to the index for the three value candidates (Brandywine, Dodge & Cox and DFA).

Upon review of the historical data of each of the Growth Managers, the Board noted that the T. Rowe Blue Chip has consistently had good performance.

Trustee Deyette left the meeting at 6:04 p.m. and returned at 6:12 p.m.

A motion was made by Chairman Vroman and seconded by Trustee Fleemin to designate T. Rowe Price as the Growth Manager. Chairman Vroman asked if there was any discussion. The Board discussed the allocation. Chairman Vroman expressed that he liked the idea that if the Plan invested today with T. Rowe Price, it can easily be sold tomorrow as explained by Mr. West. The Board discussed the assets from the DANA liquidation and Mr. West noted that this is not just about redistributing the DANA assets, it is about the entire Domestic Equity portfolio and setting up a new strategy/structure over time by dividing the portfolio into thirds. Shifting it to one-third value, one-third no style core S&P 500 index type allocation and one-third growth. Attorney Herrera asked Mr. West for his recommendation. Mr. West recommended indexing the growth allocation or hire T. Rowe Price for growth but the Board would need to understand the manager risk behind the strategy. Trustee Watler asked if the Board would be doing a disservice to the Plan if the Board chose to not make any changes to the portfolio at this time and Mr. West assured the Board that no changes need to be made at this time. Chairman Vroman withdrew his motion.

A motion was made by Trustee Fleemin and seconded by Chairman Vroman to allocate 28% to Russell 1000 growth index, 36% to Russell 1000 value index and 36% to Dodge & Cox. Chairman Vroman asked if there was any discussion. The Board discussed passive vs active, growth vs value, whether to go with indexes and whether an active manager should be in the value space and/or the growth space. Chairman Vroman asked what the cost would be if the Board approved Trustee Fleemin’s motion today, but determined at the next meeting to change the approved allocation. Mr. West replied that there would not be a cost and recommended that the Board table the discussion/motion and noted that he will provide additional information to the Board at the next meeting.

Trustee Fleemin restated the motion and it was seconded by Chair Vroman to allocate 28% to Russell 1000 growth index, 36% to Russell 1000 value index and 36% to Dodge & Cox active management value. Motion carried by voice vote.

AYES: Chairman Vroman, Trustees Fleemin and Deyette

NAYS: Trustee Watler and Secretary Gizzi

ABSENT: None

Secretary Gizzi requested clarification on how the assets will be allocated and Mr. West responded that the following would be the allocation, based on \$16,000,000; \$4,500,000 to Growth Index, \$5,750,00 to Value Index and the balance stays where it is. The Board determined that further discussion will take place later in the meeting, as the meeting needed to continue with the next agenda item as Attorney Herrero needed to leave shortly.

NEW BUSINESS: *Discussion re: Pension Changes as Outlined in the CBA:* Attorney Herrera noted that he is preparing the draft of the 2018-2021 Collective Bargaining Agreement (CBA) to include the provisions agreed to. He also received the studies for the line of duty death benefit. Chair Vroman will present the studies to the Union President. Attorney Herrera addressed, and the Board confirmed, that the line of duty death benefit mirrors the line of duty disability benefit. He will make the CBA draft available for the Board to review. Once reviewed and all revisions made, the Board will forward it to the City Attorney's office.

STAFF COMMENTS: *Plan Attorney Comments – Pedro Herrera:* Attorney Herrera discussed revisions to the Plan's Operating Rules and Procedures, as discussed earlier in the meeting, to include the process for members with inquiries, as well as Board Members time off for conference attendance. Attorney Herrera will have a draft of the revised Operating Rules and Procedures at the next regular meeting for review. It was noted that the Board's procedures have to follow the CBA in regards to time off for conference attendance.

Plan Administrator Comments: Ms. Spriggs commented that for the administration transition to Lauterbach & Amen, LLP (L&A) it will need to be determined what is required in order for L&A to have access to the Salem Trust statements, investment statements, pensioner data and any of the other accounts that L&A will need access to. Ms. Johnson noted that Salem Trust will need a letter of direction regarding any account changes including L&A access, data and anything that is needed in order to schedule the wire for funding TerraCap Fund IV. Attorney Herrera noted that he can provide the letters of direction to the Board.

The 2020 Pension Plan Board meeting dates were discussed but were not scheduled at this time.

Attorney Herrera left the meeting at 7:06 p.m. and rejoined the meeting at 7:09 via teleconference.

Discussion and Possible Selection of a Growth Manager and/or Value Manager (CONTINUED): A motion was made by Chairman Vroman to request to reconsider the previous motion due to the confusion prior to and following the vote and requested to open it up for further discussion. Motion carried by voice vote.

AYES: Chairman Vroman and Trustee Deyette

NAYS: Trustee Fleemin

ABSENT: None

Meeting Note: Only Board members that are on the prevailing side can vote to reconsider the original motion.

Chairman Vroman requested that the Board members discuss their concerns with the Board and that Mr. West provide clarification/direction and then would entertain tabling the matter to the next regular meeting.

Secretary Gizzi discussed his concern that the Plan would keep 64% to indexes (value and growth) and the only active manager would be Dodge and Cox, which was not on the Board's radar. Secretary Gizzi also noted that previous Board discussions were that the Plan have more active management.

Chairman Vroman discussed that any questions Board Members may have need to be directed to Mr. West prior to the next regular meeting. Mr. West commented that he would provide the Board a list of suitable value and growth index funds for consideration at the next regular meeting. The Board requested that Mr. West also bring clarity, utilizing pie charts, visuals and anything else needed, so that the Board members have a better understanding of the proposed strategy.

Attorney Herrera recommended that Mr. West provide a clear and concise recommendation to the Board, using dollar amounts and direction, to include active and passive, growth and value manager recommendations in memo form to present at the next regular meeting.

Trustee Fleemin admittedly commented that his earlier motion was based on reallocating only DANA assets (@\$5,000,000+/-) and not rebalancing the entire Domestic Equity portion of the portfolio. Chairman Vroman tabled the reconsideration of the previous motion until the next regular meeting.

The Board discussed the signers on the Salem Trust account. Attorney Herrera explained that two signatures are safer, however if this is inefficient, use only one. All Board members can be authorized signers, but not all are needed for approval, the additional signers can be default signers, when needed.

BOARD COMMITTEE MEMBERS COMMENTS: Trustee Fleemin apologized to the Board for not clearly communicating his allocations during the previous investment discussions and for the confusion that incurred.

Trustee Deyette requested that future meetings not be scheduled on the 3rd Tuesday of the month.

Secretary Gizzi commented that no apology is needed by Trustee Fleemin and welcomed L&A.

Trustee Watler commented that Trustee Fleemin does not need to apologize and noted that if there is ever confusion on any discussions during the Pension Plan meetings, the Board needs to table the discussion until more information is provided and/or everyone has an understanding of the matter. He also noted that Ms. Spriggs is invited to the next scheduled meeting for a special presentation.

Chairman Vroman noted that the Securities Litigation Firm, Pomerantz LLP would like to present at the next meeting. A motion was made by Trustee Watler and seconded by Chairman Vroman to authorize Pomerantz LLP to provide the Board with a presentation at the next regular meeting. Chairman Vroman opened it up for discussion. With no discussion, motion carried unanimously by voice vote.

AYES: Chairman Vroman, Secretary Gizzi, Trustees Deyette, Fleemin and Watler
NAYS: None
ABSENT: None

Chairman Vroman commented that in the future the Board needs to be provided with visuals to better understand and explain any proposed changes with investments and reallocations. He noted that he recently attended CTPP Training. Lastly he discussed the Board's gratefulness to Ms. Spriggs for her time, commitment and all that she has done for the Plan throughout the year. .

ADJOURNMENT: A motion was made by Chairman Vroman and seconded by Trustee Fleemin to adjourn the meeting at 7:37 p.m. Motion carried unanimously by voice vote.

AYES: Chairman Vroman, Secretary Gizzi, Trustees Deyette, Fleemin and Watler
NAYS: None
ABSENT: None

Minutes approved by the Board of Trustees on _____

Kurt Vroman, Chairman

Gene Gizzi, Secretary